

# LifeTimes

NEWSLETTER FOR RETIRED IPERS MEMBERS

Iowa Public Employees' Retirement System

Winter 2006/2007

## Message from Governor Culver



Friends,

I am a former public school teacher and public employee, and my own family's retirement savings are in IPERS. My top priority as Governor will be to ensure the fund is sound for the more than 300,000 members and beneficiaries, including teachers, law enforcement officers, and public employees who work hard every day across this state.

I believe IPERS is a solemn promise to the employees, retirees, and families who are counting on it to remain strong. I am looking forward to working cooperatively with public employees, the IPERS

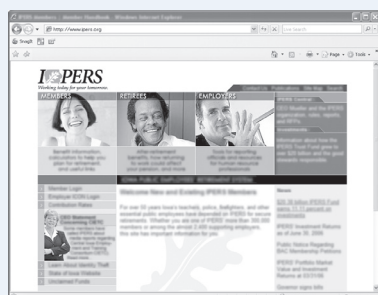
Investment Board, the Benefits Advisory Committee, retirees, the Legislature, and other stakeholders when considering the IPERS fund.

I am not supportive of any initiative that would fail to uphold the strict fiduciary investment guidelines the IPERS board maintains. IPERS exists to produce the best return on investments possible for the Iowans who count on it. I believe it should stay that way.

The fund is one of the best-managed of its kind anywhere in the nation. I am confident this tradition will continue long into the future.

## More information for retirees coming to IPERS' Web site

Information on dividends and quick links to other helpful Web sites will be available for retirees on our improved IPERS Web site at [www.ipers.org](http://www.ipers.org). The redesigned Web site, scheduled to launch this spring, will include a section specifically for retirees.



## New federal pension law brings few changes to IPERS

The federal Pension Protection Act, signed into law in August 2006, made sweeping changes to pension plans provided by private businesses but only small changes to government plans like IPERS. The changes it did make to government plans are helpful to the handful of people who may be affected.

"The law probably will not touch 99.99 percent of IPERS

members," said Kelly Lovell, an IPERS lawyer specializing in federal and state pension laws.

Lovell said among the positive changes is removing some tax penalties for military and public safety personnel who withdraw retirement funds early. The law also allows many beneficiaries, not just spouses, to roll over IPERS death benefits to avoid tax penalties.

# Iowa income tax information for retirees

*From the Iowa Department of Revenue*

The Iowa Legislature passed two tax laws that will affect some IPERS retirees starting in 2007. One law reduces the tax on social security benefits. The other reduces the income tax of those aged 65 and older.

Approximately 360,000 taxpayers currently receive social security benefits, pensions, or other retirement income or are 65 years of age or older. The law changes will result in lower taxes for about 140,000 of these individuals and married couples. Those who will not benefit already owe no Iowa individual income tax.

Taxpayers who do not have any social security income, are under 65 years of age, or have incomes too high to benefit from the alternate tax will still benefit from the existing pension and other retirement income exclusion, which equals \$12,000 for married taxpayers and \$6,000 for others.

## SUMMARY OF TAX LAW CHANGES

### Phase-Out of Iowa Tax on Social Security Starts in 2007

Beginning with tax year 2007 (the return to be filed in 2008), the tax on social security income will be phased out over eight years. Starting in 2014, Iowa will not tax social security income. Currently, no more than 50 percent of social security income is taxed by Iowa. In addition, married filers whose adjusted gross income is less than \$32,000 and single filers with income less than \$25,000 do not pay tax on their social security.

The change affects the social security income identified in the worksheet for line 13 of the Iowa return.

### New Filing Thresholds Begin in 2007

Beginning with tax year 2007 for taxpayers aged 65 years or older, the filing thresholds will increase to \$18,000 (single) and \$24,000 (all other statuses). Then, for tax year 2009, the thresholds will increase again to \$24,000 for singles and \$32,000 for other filing statuses. These higher filing thresholds will apply for married taxpayers as long as one of them is aged 65 or older. In computing the threshold amount, both the pension exclusion and the new social security exclusion amounts must be added to net income.

### New Alternative Tax Calculation Begins in 2007

Currently, low-income taxpayers have an alternate way to calculate Iowa tax on line 43 of the Iowa tax return to lower the amount of tax they owe. Beginning with tax year 2007, the income level for this benefit is being raised for taxpayers aged 65 and older, except for single filers. Taxpayers with income over \$24,000 in tax years 2007 and 2008 and over \$32,000 in tax years 2009 and beyond may find the alternate tax beneficial. In computing the alternate tax, both the pension exclusion and the new social security exclusion amounts must be added to net income.

IPERS would like to thank staff at the Iowa Department of Revenue (IDR) for providing this important tax information. If you have questions about taxes, please call the IDR and not IPERS. IPERS representatives cannot answer your tax questions.

To talk to a tax specialist, call 1-800-367-3388 or e-mail [idr@iowa.gov](mailto:idr@iowa.gov). Staff is available 9 a.m.-4:15 p.m., Monday through Friday. Additional tax information is on the IDR's Web site at [www.state.ia.us/tax](http://www.state.ia.us/tax).

## STATE TAX ON SOCIAL SECURITY PHASE-OUT SCHEDULE

TAX YEAR	PERCENT*
2007	32%
2008	32%
2009	43%
2010	55%
2011	67%
2012	77%
2013	89%
2014	100%

\*Percent of social security currently taxed that will no longer be taxed.



eFile for a fast refund  
[www.state.ia.us/tax](http://www.state.ia.us/tax)



## From the CEO

IPERS CEO  
Donna M. Mueller

### YOUR PENSION HAS A LIFETIME GUARANTEE

Your pension is safe. You get your pension for life, regardless of how the stock market performs or how long you live. Meeting this guarantee is a major responsibility and is accomplished primarily by using investment earnings to meet the monthly retirement payroll.

### LONG-TERM FINANCIAL HEALTH IS IMPORTANT TO EVERYONE

IPERS' funding success depends on setting contributions at the right level and using an investment strategy that maximizes returns within an acceptable level of risk. The legislature approved a contribution rate increase for current public employees that will help move contributions to the right level.

Investments provide the largest percentage of income to IPERS. IPERS is legally responsible to invest its assets for the best economic interest of members and retirees.

IPERS uses a diversified portfolio that balances risks and returns. The portfolio includes some riskier investments, like venture capital, that may bring high returns but could also cause high losses, and safer investments less likely to get the highest returns but with lower chance for losses.

IPERS' strategy continues to serve us well. In fiscal year 2006, investments returned 11.11 percent. We exceeded the returns assumed by the actuary who examines the long-term funding needs and every benchmark we use to monitor our performance.

### NOVEMBER DIVIDEND AND FED

IPERS' ability to increase the November dividend and to continue to pay the favorable experience dividend (FED) depends on IPERS' long-term financial health. Although the base November dividend is guaranteed, an increase in the amount each year is not.

The FED is not guaranteed. IPERS pays the FED from a reserve account started in 1999. Although investment gains and losses are credited to the account, IPERS cannot transfer money to the account until projections show assets meet or exceed liabilities far into the future. The contribution rate increase for current public employees will help rebalance IPERS' long-term funding, but not before the FED account is projected to run out. Therefore, IPERS will be working with the legislature in upcoming years on a solution.

You can learn more about how we are doing by reviewing the Annual Summary sent with this newsletter, where I point out some important financial facts and share some of our achievements.

### Goodbye—and thanks

Kathy Comito, who has led IPERS' investments division so successfully for eight years, retired in December. Kathy was dedicated to preserving the trust fund for the sole benefit of IPERS members, and we will miss her determination and perseverance. She leaves the IPERS investment program in the capable hands of lead investment officer Karl Koch. The Investment Board and I will search for a permanent replacement in the next few months.

### IPERS publications receive award

IPERS publications explaining benefits at different stages of life have earned an APEX (Award for Publication Excellence). The awards recognize excellence in graphic design, editorial content, and the ability to achieve overall communications excellence and effectiveness.

IPERS worked with Segal/MGC Communications to develop a series of 23 booklets and brochures. Communications Concepts, Inc. of Virginia has sponsored APEX Awards for almost two decades.

Online versions of print publications are on the IPERS Web site at <[www.ipers.org](http://www.ipers.org)>.



## Frequently asked questions about IPERS member ID numbers

We knew assigning identification numbers and sending membership cards to about 300,000 people this fall was a big job that was likely to create questions. We have been gathering those questions so we can share answers with everyone.

### Why issue a member identification number?

Issuing you a member ID number allows IPERS to stop using your social security number on many forms and in correspondence. IPERS issued the number to help prevent identity theft. IPERS will limit use of social security numbers to tax purposes and to confirm financial transactions. Please have your member ID number ready when you call us.

### What should I do if I lose my card?

Call IPERS at 515-281-0020 or 1-800-622-3849. While it is important that you contact us as soon as possible,

you do not need to panic. As added security, IPERS does not allow any financial transactions using the member ID number alone.

### I didn't get a card. What should I do?

Call IPERS.

### Why was my name/address wrong?

The information printed on the card comes from your IPERS record. If you changed your name or address and didn't tell us, we will still have your old information on file. Occasionally the post office substitutes an address it has in its system for the one we provide.

### Why didn't IPERS issue a plastic card?

We printed the card on a special fiber paper that does not tear. Because the cards are seldom used and do not run through machines, IPERS did not want to incur the extra expense of plastic cards. The cost of the cards must be paid from the trust fund.

#### MEMBER NUMBER

#### IPERS CONTACT INFORMATION

#### LEGAL PROTECTION

Member 1234-5678



**IPERS**

Jane Doe

CALL CENTER 1-800-622-3849 / 515-281-0020 (7:30 a.m.–5 p.m.)

ONLINE ACCOUNT ACCESS [www.ipers.org](http://www.ipers.org)

E-MAIL [info@ipers.org](mailto:info@ipers.org) FAX 515-281-0053

Iowa Public Employees' Retirement System  
7401 Register Drive, Des Moines, Iowa 50321-2953

Unauthorized use of this card to obtain the member's personal information is a crime punishable under federal and state law.

## JANUARY–JUNE 2007 BENEFITS CALENDAR

JANUARY						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FEBRUARY						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

MARCH						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

APRIL						
Su	Mo	Tu	We	Th	Fr	Sa
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

MAY						
Su	Mo	Tu	We	Th	Fr	Sa
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

JUNE						
Su	Mo	Tu	We	Th	Fr	Sa
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

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